

WEST HAVEN CITY  
FINANCIAL STATEMENTS AND  
SUPPLEMENTARY DATA

JUNE 30, 2005

WEST HAVEN CITY  
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**INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor and City Council  
West Haven City, UT

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, and each major fund of West Haven City, Utah, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of West Haven City, Utah's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the aggregate remaining fund information of West Haven City, Utah, as of June 30, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standard*, we have also issued our report dated January 11, 2006, on our consideration of West Haven City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Independent Auditor's Report  
Page 2

The management's discussion and analysis and budgetary comparison information on pages 3 through 7 and pages 26 through 27, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Haven City, Utah basic financial statements.

Wood Richards & Associates

Ogden, Utah  
January 11, 2006

**WEST HAVEN CITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDING JUNE 30, 2005**

**INTRODUCTION**

The following is a discussion and analysis of West Haven City's financial performance and activities for the fiscal year ending June 30, 2005.

**HIGHLIGHTS**

The City completed construction of the new City Hall and has planned and designed a new city maintenance facility. The City has continued to upgrade the City's parks and roads. The City has budgeted and planned for these improvements financially and will continue to plan for future needed improvements.

The assets of West Haven City exceeded its liabilities at the end of the current fiscal year by \$5,220,984 (net assets). Of this amount, \$1,241,752 (unrestricted net assets) is available to meet ongoing obligations to citizens and creditors.

Net assets increased by \$985,821.

The City's Governmental funds reported combined ending fund balance of \$1,415,340, a decrease of \$1,314,825 compared to the prior years' ending amount. Of the combined total fund balance, \$1,250,469 is available for spending at the discretion of the City (unreserved and undesignated fund balance).

The unreserved and undesignated fund balance of the General Fund at June 30, 2005, totaling \$1,250,469, is 42 percent of the General Fund total revenues for the year. The General Fund, also has approximately \$164,871 of fund balance reserved for specific purposes that will be carried over into the following fiscal year.

During the year, total bonded debt for West Haven City increased by \$474,000.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The government-wide financial statements are comprised of the Statement of Net Assets, and the Statement of Activities. These two statements provide a broad overview of the City's finances. The Statement of Net Assets shows the overall net assets of the City. Increases and decreases in net assets are one indicator of the City's overall financial condition. The Statement of Activities helps to identify functions of the City that are principally supported by taxes and other general revenues (governmental activities).

This discussion and analysis is an introduction to the City's Basic Financial Statements. The Basic Financial Statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

The government-wide financial statements include not only the West Haven City itself (known as the primary government), but also a legally separate West Haven Special Service District which operates a sewer system for which West Haven City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The fund financial statements provide detailed information about individual major funds and not the City as a whole. A fund is a group of related accounts that the City uses to keep track of specific resources that are segregated for a specific purpose. Some funds are required by law to exist, while others are established internally to maintain control over a particular activity. All of the City's funds are governmental type funds.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

West Haven City has one Governmental Fund. The General Fund is the chief operating fund of the City. All of the City's activities are reported in the General Fund unless there is a compelling reason to report an activity in some other fund type.

There are several differences between government-wide and fund statements. Capital assets and long-term debt are included on the government-wide statements, but are not reported on the governmental fund statements. Capital outlays result in capital assets on the government-wide statements, but are expenditures on the governmental fund statements.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

### Net Assets

	Government Activities	
	June 30 2005	June 30 2004
Current and other assets	\$1,826,508	\$2,980,796
Capital assets	5,809,361	3,025,998
Total assets	7,635,869	6,006,794
Long-term liabilities		
outstanding	1,872,716	1,424,000
Other liabilities	542,169	347,631
Total liabilities	2,414,885	1,771,631

## Management's Discussion and Analysis

	Government Activities	
	June 30 2005	June 30 2004
Net assets:		
Invested in capital assets, net of related debt	3,814,361	3,025,998
Restricted	164,871	47,667
Unrestricted	1,241,752	1,161,498
Total net assets	<u>\$5,220,984</u>	<u>\$4,235,163</u>

One component of the City's net assets, 73%, reflects investments in capital assets (land, buildings, equipment, and infrastructure) less all outstanding debt that was issued to buy or build those assets. As capital assets, these resources are not available for future spending, nor can they all be readily liquidated to pay off the related liabilities.

Restricted net assets comprise 3.2% of total net assets and are subject to external restrictions on how they may be used. The remaining 23.8% of net assets is unrestricted and may be used at the City's discretion to meet its ongoing obligations to citizens and creditors.

### Governmental Activities and Business Type Activities

#### Changes in Net Assets

	Government Activities	
	June 30 2005	June 30 2004
Revenues:		
Program revenues:		
Charges for services	\$1,136,359	\$1,238,128
Operating grants and contributions	180,283	217,024
General revenues:		
Sales taxes	895,861	776,171
Other taxes	97,164	4,135
Unrestricted investment earnings	53,816	21,392
Total revenues	<u>2,363,483</u>	<u>2,256,850</u>
Expenses:		
General government	521,058	525,670
Public safety	337,235	290,628
Highways and public improvements	271,755	199,770
Community development	20,735	19,944
Parks and recreation	169,260	166,422
Interest-long term debt	57,619	-
Total expenses	<u>1,377,662</u>	<u>1,202,434</u>

## Management's Discussion and Analysis

### Changes in Net Assets (Continued)

	Government Activities	
	June 30 2005	June 30 2004
Increase in net assets	\$ 985,821	\$1,054,416
Net assets-beginning	4,235,163	3,180,747
Net assets-ending	<u>\$5,220,984</u>	<u>\$4,235,163</u>

### Governmental Activities

The activities in the governmental funds resulted in an increase in net assets of \$985,821 for the year.

### Capital Assets

West Haven City added \$2,952,378 in new capital assets in governmental activities during the fiscal year. The following assets were acquired or constructed: New City Center construction and improvements \$ 2,678,218; Parking improvements and picnic tables \$21,489; Road improvements \$158,897; Machinery and equipment \$77,168; and Storm drain improvement \$16,606.

### Fund Balances

The fund balance in the General Fund was decreased by \$1,314,825. The large decrease was a result of the construction of the City Center and other improvements. As of June 30, 2005, \$40,345 was deposited in a Bond Construction Account and is set aside as a restricted reserve in the General Fund. \$102,369 is set aside as a reserve for storm drain impact fees and \$22,157 set aside as a reserve for storm water maintenance.

The total combined ending fund balance in the General Fund was \$1,415,340. The unreserved fund balance, which is available for spending at the government's discretion was \$1,250,469.

### Long-Term Debt

On August 30, 2004, the City issued \$614,000 in Sales Tax Revenue Bonds, Series 2004B to provide funds to finance costs associated with the new City Center and improvements. During the year \$140,000 in principal payments were made on the two bond issues. \$131,000 of the debt will be paid in the next fiscal year with \$1,995,000 remaining in long-term debt.

### General Fund Budgets

West Haven City prepares its budget according to state statutes. The General Fund Budget was adjusted during the year to meet the needs of growth in the City.

Actual General Fund revenues were \$1,234,481 above the original budget and \$304,481 above the final adjusted budget. Actual General Fund expenses before transfers were \$649,706 above the original budget and \$63,194 below the final adjusted budget.



## Management's Discussion and Analysis

### ADDITIONAL INFORMATION

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of West Haven City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or any other matters related to the City's finances should be addressed to West Haven City, 4150 South 3900 West, West Haven, Utah 84401.

WEST HAVEN CITY  
BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005

WEST HAVEN CITY  
STATEMENT OF NET ASSETS  
JUNE 30, 2005

	Primary Government	Component Units
	Governmental Activities	West Haven Special Service District
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,355,229	\$ 588,196
Due from other governmental units	296,951	-
Accounts receivable (net of allowance for uncollectibles)	5,311	288,781
Prepaid expenses	4,146	-
Restricted assets:		
Cash and cash equivalents	164,871	689,185
Capital assets:		
Infrastructure	824,750	16,465,276
City park and parkway	1,693,531	-
City center	3,534,352	-
Buildings	212,286	-
Office furniture and fixtures	69,159	-
Machinery and equipment	181,135	9,323
Vehicles	117,480	5,264
Less accumulated depreciation	(823,332)	(1,358,398)
Total assets	<u>7,635,869</u>	<u>16,687,627</u>
<b>LIABILITIES</b>		
Accounts payable	266,617	9,998
Accrued liabilities	-	67,723
Retainage payable	136,711	-
Escrow due developers	7,841	-
Non-current liabilities:		
Due within one year	131,000	493,000
Due in more than one year	1,872,716	11,430,000
Total liabilities	<u>2,414,885</u>	<u>12,000,721</u>
<b>NET ASSETS</b>		
Investment in general capital assets	3,814,361	3,198,465
Restricted net assets	164,871	689,185
Unrestricted net assets	1,241,752	799,256
<b>TOTAL NET ASSETS</b>	<u><u>\$ 5,220,984</u></u>	<u><u>\$ 4,686,906</u></u>

WEST HAVEN CITY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2005

FUNCTIONS/PROGRAMS	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
Governmental activities:				
General Government	\$ 521,058	\$ 534,837	\$ -	\$ -
Community Development	20,735	-	-	-
Highways and Public Improvements	271,755	385,723	177,665	-
Parks and Recreation	169,260	110,685	-	-
Public Safety	337,235	105,114	2,618	-
Interest on Long-term Debt	57,619	-	-	-
Total governmental activities	<u>1,377,662</u>	<u>1,136,359</u>	<u>180,283</u>	<u>-</u>
Total primary government	<u>\$ 1,377,662</u>	<u>\$ 1,136,359</u>	<u>\$ 180,283</u>	<u>\$ -</u>
<b>COMPONENT UNITS:</b>				
West Haven Special Service District	<u>\$ 993,237</u>	<u>\$ 1,643,400</u>	<u>\$ -</u>	<u>\$ 270,500</u>
General revenues:				
Taxes and special assessments:				
Sales				
Franchise and telecommunications taxes				
Unrestricted investment earnings				
Total general revenues				
Change in net assets				
Net assets - beginning				
Net assets - ending				

The accompanying notes are an integral part of these statements.

**Net (Expense) Revenue and Changes in Net Assets**

Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	West Haven Special Service District
\$ 13,779	\$ -	\$ 13,779	\$ -
(20,735)	-	(20,735)	-
291,633	-	291,633	-
(58,575)	-	(58,575)	-
(229,503)	-	(229,503)	-
(57,619)	-	(57,619)	-
(61,020)	-	(61,020)	-
(61,020)	-	(61,020)	-
			920,663
895,861	-	895,861	-
97,164	-	97,164	-
53,816	-	53,816	32,848
1,046,841	-	1,046,841	32,848
985,821	-	985,821	953,511
4,235,163	-	4,235,163	3,733,395
<u>\$ 5,220,984</u>	<u>\$ -</u>	<u>\$ 5,220,984</u>	<u>\$ 4,686,906</u>

WEST HAVEN CITY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,355,229
Due from other governmental units	296,951
Accounts receivable	5,311
Prepaid expenses	4,146
Restricted assets:	
Cash and cash equivalents	164,871
Total assets	<u>\$ 1,826,508</u>
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable	\$ 266,616
Retainage payable	136,711
Escrow due developers	7,841
Total liabilities	<u>411,168</u>
Fund balances:	
Reserved for:	
Bond Construction Account	40,345
Storm Drain Impact Fees	102,369
Storm Water Maintenance	22,157
Unreserved fund balance	1,250,469
Total fund balances	<u>1,415,340</u>
Total liabilities and fund balances	<u>\$ 1,826,508</u>

The accompanying notes are an integral part of these statements.

WEST HAVEN CITY  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2005

**Total fund balances - governmental funds:** \$ 1,415,340

Amounts reported for governmental activities in the Statement of  
 Net Assets are different because:

Capital assets used in governmental activities are not  
 financial resources and, therefore, are not reported in the  
 governmental funds, but they are reported in the Statement  
 of Net Assets. Capital assets consist of the following:

Infrastructure	\$ 824,750	
City park and parkway	1,693,531	
City center	3,534,352	
Buildings	212,286	
Office furniture and fixtures	69,159	
Machinery and equipment	181,135	
Vehicles	117,480	
Accumulated depreciation	<u>(823,332)</u>	
		5,809,361

Long-term debt, including bonds payable and compensated  
 absences, are not due and payable in the current period and  
 therefore not reported in the funds, but they are reported  
 in the Statement of Net Assets

Bonds payable	(1,995,000)	
Compensated absences	<u>(8,717)</u>	<u>(2,003,717)</u>
Net assets of governmental activities		<u>\$ 5,220,984</u>

The accompanying notes are an integral part of these statements.

WEST HAVEN CITY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005

	<b>General Fund</b>
<b>REVENUES</b>	
Taxes	\$ 993,024
Licenses and permits	394,490
Intergovernmental revenue	180,283
Charges for services	636,755
Fines and forfeitures	105,114
Miscellaneous revenue	53,815
Total revenues	<u>2,363,481</u>
<b>EXPENDITURES</b>	
Current:	
General government	3,170,882
Public safety	337,235
Highways and public improvements	430,287
Parks and recreation	114,799
Community development	20,735
Miscellaneous	20,750
Debt service	197,618
Total expenditures	<u>4,292,306</u>
Excess (deficiency) of revenues over expenditures	<u>(1,928,825)</u>
<b>Other financing sources (uses)</b>	
Bond proceeds	614,000
Total other financing sources and uses	<u>614,000</u>
Excess (deficiency) of revenues/sources over (under) expenditures/uses	(1,314,825)
Fund balances - beginning of year	<u>2,730,165</u>
Fund balances - end of year	<u>\$ 1,415,340</u>

The accompanying notes are an integral part of these statements.



WEST HAVEN CITY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2005

Net changes in fund balances - total governmental funds \$ (1,314,825)

Amounts reported for governmental activities in the Statement of  
Activities are different because:

Capital outlays are reported as expenditures in governmental  
funds. However, in the Statement of Activities, the cost of  
capital assets is allocated over their estimated useful lives  
as depreciation expense. In the current year, these  
amounts were as follows:

Capital outlays	\$ 2,952,378	
Depreciation expense	<u>(169,015)</u>	
		2,783,363

Repayment of the principal of long-term debt consumes the current financial resources of governmental funds but has no effect on net assets		140,000
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Some expenses reported in the statement of activities do not  
require the use of current financial resources and, therefore  
are not reported as expenditures.

Compensated absences	(8,717)
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The issuance of long-term debt such as bonds provides current financial resources to governmental funds but has no effect on net assets in the government-wide Statement of Activities	<u>(614,000)</u>
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Change in net assets of governmental activities	<u>\$ 985,821</u>
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The accompanying notes are an integral part of these statements.

WEST HAVEN CITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of West Haven City, Utah conform in all material respects to generally accepted accounting principles (GAAP) as applicable to governments. The City has adopted the provisions of the Governmental Accounting Standards Board (GASB). Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements.

The following is a summary of the more significant policies and is presented to assist the reader in interpreting the financial statements and other data in this report. These policies, as presented, should be viewed as an integral part of the accompanying financial statements.

**A. Reporting Entity**

West Haven City was incorporated under the laws of the State of Utah. The City operates under a Council/Mayor form of government and provides the following services as authorized by its charter: Public safety (police and inspection), highways and streets, culture-recreation, public improvements, planning and zoning, and general administrative services.

The criteria set forth by generally accepted accounting principles (GAAP) was used to determine which entities to include in this report. GASB Concepts Statement-1 (Objectives of Financial Reporting) concludes that the basic foundation for governmental financial reporting is accountability. The Concepts Statement asserts that accountability requires governments to answer to the citizenry - to justify the raising of public resources and the purposes for which they are used. In turn, the concept of accountability becomes the basis for defining the financial reporting entity. Under GASB-14 (The Financial Reporting Entity) the financial reporting entity consists of the following:

1. The primary government
2. Organizations for which the primary government is financially accountable
3. Other organizations that, because of the nature and significance of their relationship with the primary government, exclusion from the reporting entity would render the financial statements misleading or incomplete.

**Blended component units:** Blended component units, although legally separate entities, are in substance part of the government's operations. They are reported as part of the primary government and blended with the appropriate funds.

On July 16, 2003, the City adopted an ordinance creating the West Haven City Redevelopment Agency and designating the City Council of West Haven as the governing body of the Agency. There was no financial activity in the component unit during the year ended June 30, 2005.

**Discretely presented component units:** The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from West Haven City.

The West Haven Special Service District provides sewer services to residents of the City. The Board of Directors of the Special Service District includes some members of the West Haven City Council. West Haven City bills the District monthly for contracted services and maintenance. The discretely presented

WEST HAVEN CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2005

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**A. Reporting Entity (Continued)**

financial statements are for the year ended June 30, 2005, which is the same as the City's year end. The District is presented as an enterprise fund type. Complete financial statements for the component unit may be obtained at the entity's administrative offices.

**B. Government-wide and Fund Financial Statements**

The City's basic financial statements consist of both government-wide statements and fund statements. The government-wide statements focus on the City as a whole, while the fund statements focus on individual funds.

***Government-wide Financial Statements***

The government-wide statements present information on all non-fiduciary activities of the primary government. Primary government activities are distinguished between *governmental* and *business-type* activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The *Statement of Net Assets* presents the City's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are restricted when constraints placed upon them are either externally imposed or are imposed by constitutional provisions or enabling legislation. The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. The City does not allocate general government (indirect) expenses to other functions. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues.

***Fund Financial Statements***

The financial transactions of the City are recorded in individual funds. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Statements are provided for *governmental funds*. For governmental funds, the emphasis is on *major funds*, with each displayed in a separate column.

The City reports the following major governmental fund:

**General Fund -** This fund is the principal operating fund of the City. It is used to account for all financial resources not required to be accounted for in another fund.

**C. Measurement Focus and Basis of Accounting**

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of the cash flows. Taxes and fees are recognized in the

WEST HAVEN CITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus and Basis of Accounting (Continued)**

year in which the related sales or other activity has occurred. Grants and similar items are recognized as revenue when all eligibility requirements have been met.

The governmental fund financial statements are prepared and reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Expenditures are generally recorded when the related liability is incurred.

**D. Assets, Liabilities, and Fund Balances/Net Assets**

The following are the City's significant policies regarding recognition and reporting of certain assets, liabilities, and equity.

***Pooled Cash and Temporary Investments***

Unrestricted and restricted cash balances of both funds are combined to form a pool of cash which is managed by the City Treasurer. Utah State Statutes allow for investments in the Utah Public Treasurer's Investment Fund and Utah Money Management Act (UMMA) approved financial institutions. The UMMA provides for a committee to evaluate financial institutions and provide a list of those qualified as depositories for public funds, including the amount they are authorized to maintain over and above insured amounts. The City Treasurer invests unrestricted and restricted cash with the Utah Public Treasurer's Investment Fund and with local financial institutions. Investments in the pooled cash fund consist primarily of certificates of deposit, repurchase agreements, and time deposits and are carried at cost which approximates market value. Interest income earned as a result of pooling is distributed to the appropriate funds based on month end balances of cash. The City considers all highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

***Inventories***

No significant inventories are maintained by the City, therefore none are reflected in these statements.

***Restricted Assets***

Certain resources set aside as reserves in accordance with council resolutions and State statutes are classified as restricted assets on the balance sheet because their use is limited.

***Capital Assets***

General capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds.

Capital assets are reported in the governmental column in the government-wide financial statements. All purchased fixed assets are valued at cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Infrastructure capital assets which are newly constructed are capitalized. The City currently has infrastructure assets recorded.

WEST HAVEN CITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, and Fund Balances/Net Assets (Continued)**

Depreciation of all exhaustible capital assets is charged as an expense in the related program. Accumulated depreciation is reported on the Statement of Net Assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	40 years
Improvements	25-50 years
Equipment	5-7 years
Infrastructure	25-50 years

***Long-term Obligations***

In the government-wide statements, long-term debt obligations are reported as liabilities.

The face amount of debt issued is reported as other financing sources in the governmental fund financial statements.

***Net Assets/Fund Balances***

The difference between assets and liabilities is *net assets* on the government-wide statements, and *fund balance* on the governmental fund statements.

In the governmental fund statements, fund balances are classified as reserved or unreserved. Reserves represent those portions of fund balance that are not available for expenditures or are legally segregated for a specific future use. Unreserved fund balances are available for future appropriation, though some portions may be designated to represent management's tentative plans for specific future uses.

**E. Revenues and Expenditures**

The following are the City's significant policies related to recognition and reporting of certain revenues, expenditures, and interfund activity.

***Revenue Availability***

Under the modified accrual basis of accounting, revenues are considered to be "available" when they are collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period. The City considers property tax revenues, if applicable, to be available if they are collected within 60 days after the end of the current year. Grants and similar items are recognized as revenue when all eligibility requirements have been met. All other revenues, including sales taxes, are considered to be available if they are collected within 60 days after year-end.

***Expenditure Recognition***

In governmental funds, expenditures are generally recorded when the related liability is incurred. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures, and proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the City generally uses restricted resources first, then unrestricted resources.

WEST HAVEN CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2005

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Budgets and Budgetary Accounting**

Budgets are adopted on a basis consistent with generally accepted accounting principles. An annual appropriated budget is adopted for the General Fund. All annual appropriations lapse at the fiscal year end. Encumbrance accounting is not used by the City.

**Summary of City Budget Procedures and Calendar**

1. The City Council can amend the budget to any extent, provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance.
2. A budget is required by the State of Utah for the General Fund.
3. Each year the City publishes a separate budget document prepared according to this legal level of control.
4. The City's budget is a Financial Plan of all estimated revenues and all appropriations for expenditures. Revenues and Expenditures must balance for the funds required by the State Code as indicated in item 2 above.
5. A tentative budget is presented by the Mayor to the City Council by the first regularly scheduled council meeting in May. The tentative budget is reviewed and tentatively adopted by the Council no later than June 22.
6. The tentative budget is a public record and is available for inspection at the City offices for at least ten days prior to adoption of the final budget.
7. Notice of public hearing on adoption of the final budget is published seven days prior to the public hearing.
8. The public hearing on the tentatively adopted budget is held no later than June 22. Final adjustments are made to the tentative budget by the Council after the public hearing.
9. Occasionally the City Council will exercise their option to open the budget to indicate additional financing sources that become available.
10. The final budget is adopted by ordinance before June 22 and a copy of the budget certified by the Budget Officer is filed with the State Auditor within thirty days of adoption.
11. A budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).

**Summary of Action Required for Budget Changes:**

The Council may, by resolution, transfer unexpended appropriations from one department to another department within the same fund. The budget appropriation for any department may be reduced by resolution.

Fund budgets may be increased by resolution after a public hearing.

**Current Year Excess of Expenditures Over Appropriations:**

For the year ended June 30, 2005, expenditures exceeded appropriations in the debt service department by \$117,619 and miscellaneous category by \$8,750.

WEST HAVEN CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2005

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Compensated Absences**

City policy provides for vested or accumulated vacation leave. The balance at June 30, 2005 was \$8,717.

**H. Use of Estimates**

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**I. Restrictive Resources**

The City's policy is to use restricted resources first to fund appropriations when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

**A. Deposits**

The City's deposits are carried at cost.

At June 30, 2005, the carrying amount of the City's deposits was \$276,622. The bank balance was \$362,338, of which \$100,000 was covered by FDIC depository insurance. The remaining \$262,338 balance was uninsured and uncollateralized.

**B. Investments**

At year-end investments consist of funds in the Utah Public Treasurers Investment Fund. This investment is administered by the State of Utah and is regulated by the Money Management Council under provisions of the Utah State Money Management Act. The investment is not categorized as to credit risk because it does not represent a security that exists in physical or book entry form. Investments are carried at cost which approximates their fair value.

Investments are categorized into these three categories of credit risk:

1. Insured or registered, with securities held by the government or its agent in the government's name.
2. Uninsured and unregistered, with security held by the counter-party's trust department or agent in the government's name.
3. Uninsured and unregistered, with securities held by the counter-party, or by its trust department or agent but not in the government's name.

At year-end, the government's investment balances were as follows:

	Category			Carrying Amount	Market Value
	1	2	3		
None	\$ -	\$ -	\$ -	\$ -	\$ -

WEST HAVEN CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**B. Investments (Continued)**

	Carrying Amount	Market Value
Investments not subject to categorizations:		
Utah Public Treasurer's Investment Fund	\$ 1,202,333	\$ 1,202,518
Utah Public Treasurer's Investment Fund Construction Trust Account	40,345	40,351
Total investments	<u>\$ 1,242,678</u>	<u>\$ 1,242,869</u>

**C. Summary**

	Carrying Amount
Petty cash	\$ 800
Deposits	276,622
Investment in Utah Public Treasurer's Investment Fund	1,242,678
Total deposits and investments	<u>\$ 1,520,100</u>
Equity in pooled cash and investments	\$ 1,355,229
Restricted cash - general fund	164,871
Total deposits and investments	<u>\$ 1,520,100</u>

**Interest rate risk.** Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investing mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

**Credit risk.** Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations; and shares in a money market fund as defined in the Act.



WEST HAVEN CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2005

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**C. Summary (Continued)**

The City is also authorized to invest in the Utah Public Treasurer's Investment Fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

*Concentration of credit risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's policy to limit this risk is to adhere to the rules of the Money Management Council and to invest most of its available funds in the PTIF.

*Custodial credit risk - deposits.* Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of City funds to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The City's deposits in the bank in excess of the insured amount are uninsured and are not collateralized, nor do state statutes require them to be. As of June 30, 2005, \$262,338 of the \$362,338 balance of deposits was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial credit risk - investments.* Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk of investments.

WEST HAVEN CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2005

**NOTE 3 - CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2005, was as follows:

	Balance June 30, 2004	Additions	(Deletions)	Balance June 30, 2005
<b>PRIMARY GOVERNMENT</b>				
<b>GOVERNMENTAL ACTIVITIES</b>				
Nondepreciated Assets				
Water shares	\$ 8,400	\$ -	\$ -	\$ 8,400
Land	834,902	-	-	834,902
Construction in progress	176,618	-	(176,618)	-
Total nondepreciated assets	<u>1,019,920</u>	<u>-</u>	<u>(176,618)</u>	<u>843,302</u>
Depreciated Assets				
Storm drain system	-	16,606	-	16,606
Buildings	212,286	2,854,836	-	3,067,122
Improvements	1,508,256	21,489	-	1,529,745
Roads	649,247	158,897	-	808,144
Machinery and equipment	290,606	77,168	-	367,774
Total depreciated assets	<u>2,660,395</u>	<u>3,128,996</u>	<u>-</u>	<u>5,789,391</u>
Less accumulated depreciation				
Storm drain system	-	(166)	-	(166)
Buildings	(60,216)	(43,200)	-	(103,416)
Machinery and equipment	(253,172)	(20,551)	-	(273,723)
Roads	(12,985)	(29,148)	-	(42,133)
Improvements	(327,944)	(75,950)	-	(403,894)
Total	<u>(654,317)</u>	<u>(169,015)</u>	<u>-</u>	<u>(823,332)</u>
Net assets depreciated	<u>2,006,078</u>	<u>2,959,981</u>	<u>-</u>	<u>4,966,059</u>
Governmental activities capital assets, net	<u><u>\$ 3,025,998</u></u>	<u><u>\$ 2,959,981</u></u>	<u><u>\$ (176,618)</u></u>	<u><u>\$ 5,809,361</u></u>

**DEPRECIATION EXPENSE**

Depreciation expense of governmental activities was charged to functions as follows:

General government	\$ 49,470
Parks and recreation	75,950
Highways and public improvements	43,595
TOTAL	<u><u>\$ 169,015</u></u>

WEST HAVEN CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2005

**NOTE 4 - LONG-TERM DEBT**

The Revenue Bonds outstanding at year end are as follows:

Description	Interest Rate	Outstanding June 30, 2004	Additions	Payments	Outstanding June 30, 2005	Current Portion
2004B Sales Tax Revenue Bonds	2.75-4.80%	\$ -	\$ 614,000	\$ 43,000	\$ 571,000	\$ 34,000
2004 Sales Tax Revenue Bonds	2.1-4.45%	1,521,000	-	97,000	1,424,000	97,000
		<u>\$ 1,521,000</u>	<u>\$ 614,000</u>	<u>\$ 140,000</u>	<u>\$ 1,995,000</u>	<u>\$ 131,000</u>

On April 15, 2004, the City issued \$1,521,000 of Sales Tax Revenue Bonds, Series 2004 for the purpose of providing funds to finance the costs to acquire, construct, and equip a new City Center. The bonds will bear interest at rates of 2.1% to 4.45%.

Annual requirements to amortize long-term debt as of June 30, 2005:

	June 30	Principal	Interest	Total
2004 Sales Tax Revenue Bonds	2006	\$ 97,000	\$ 52,796	\$ 149,796
	2007	99,000	50,322	149,322
	2008	102,000	47,401	149,401
	2009	105,000	44,036	149,036
	2010	109,000	40,255	149,255
	2011	113,000	36,059	149,059
	2012	118,000	31,483	149,483
	2013	123,000	26,526	149,526
	2014	128,000	21,176	149,176
	2015	134,000	15,480	149,480
	2016	139,000	10,656	149,656
	2017	144,000	5,652	149,652
	2018	13,000	468	13,468
		<u>\$ 1,424,000</u>	<u>\$ 382,310</u>	<u>\$ 1,806,310</u>

On August 30, 2004, the City issued \$614,000 Sales Tax Revenue Bonds Series 2004B for the purpose of financing the costs associated with completing the acquisition, construction and equipping of a new city hall and related improvements. The bonds will bear interest at rates of 2.75% to 4.80%.

WEST HAVEN CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2005

**NOTE 4 - LONG-TERM DEBT (CONTINUED)**

Annual requirements to amortize long-term debt as of June 30, 2005:

	June 30	Principal	Interest	Total
2004B Sales Tax Revenue Bonds	2006	\$ 34,000	\$ 23,370	\$ 57,370
	2007	35,000	22,196	57,196
	2008	37,000	20,844	57,844
	2009	38,000	19,344	57,344
	2010	40,000	17,705	57,705
	2011	41,000	15,922	56,922
	2012	43,000	14,012	57,012
	2013	45,000	11,965	56,965
	2014	47,000	9,779	56,779
	2015	49,000	7,646	56,646
	2016	52,000	5,576	57,576
	2017	54,000	3,403	57,403
	2018	56,000	1,148	57,148
		<u>\$ 571,000</u>	<u>\$ 172,910</u>	<u>\$ 743,910</u>

**NOTE 5 - RESERVATIONS OF FUND BALANCE**

Reserved for Impact Fees - This represents the excess Impact Fees funds received over the amount spent.

Reserved for Construction - This represents the funds remaining in construction account from bond proceeds.

Reserved for Storm Water Maintenance - This represents storm water utility fees restricted for storm water maintenance.

**NOTE 6 - RISK MANAGEMENT**

West Haven City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance and participate in a public entity risk pool – the Utah Government Trust. The City maintains comprehensive insurance coverage in aggregate amounts sufficient to protect against all reasonably foreseeable liability risks. Specific liability policies purchased include automobile, general liability, property bond (employee dishonesty), treasurer, public officials and officers, excess liability, and workman's compensation. As of June 30, 2005, there is no anticipation of unpaid claims. Therefore, a liability is not accrued. Settlement amounts have not exceeded coverage for the current year or the three prior years.

**NOTE 7 - PENSION PLANS AND RETIREMENT BENEFITS**

Plan Description. West Haven City contributes to the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System and Public Safety Retirement System for employers with Social Security coverage, cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems. Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

WEST HAVEN CITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2005

**NOTE 7 - PENSION PLANS AND RETIREMENT BENEFITS (CONTINUED)**

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes general-purpose financial statements and required supplementary information for the Local Governmental Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South Salt Lake City, UT 84102 or by calling 1-800-365-8772.

**Funding Policy.** In the Local Governmental Noncontributory Retirement System, West Haven City is required to contribute 11.09% of plan members annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

**Local Governmental System - Noncontributory**

**Actual City contributions made, by year - Employer:**

2005	\$	21,174
2004	\$	18,162
2003	\$	15,461

**NOTE 9 - POST-EMPLOYMENT BENEFITS**

West Haven City provides no post-employment benefits for employees, other than COBRA requirements.

**NOTE 10 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Expenditures over budget**

The following individual funds and departments incurred expenditures in excess of budget :

	<u>Budget</u>	<u>Actual</u>	<u>Actual over Budget</u>
Executive	15,000	15,988	988
Community promotion	50,000	52,970	2,970
Recreation	55,000	62,932	7,932
Miscellaneous	12,000	20,750	8,750
Debt Service	80,000	197,618	117,618

WEST HAVEN CITY  
REQUIRED SUPPLEMENTAL  
INFORMATION

JUNE 30, 2005

## WEST HAVEN CITY

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES TO FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	GENERAL FUND			Variance with
	Budgeted Amounts			Final Budget
	Original	Final	Actual	Favorable
				(Unfavorable)
<b>REVENUES:</b>				
Taxes				
Sales taxes	\$ 640,000	\$ 730,000	\$ 895,861	\$ 165,861
Telecommunications taxes	-	65,000	90,606	25,606
Franchise tax	4,000	6,500	6,557	57
Total taxes	644,000	801,500	993,024	191,524
Licenses and Permits				
Business licenses	50,000	90,000	91,895	1,895
Building permits	250,000	275,000	302,595	27,595
Total licenses and permits	300,000	365,000	394,490	29,490
Charges for Services				
Road impact fees	100,000	260,000	283,578	23,578
Storm water impact fees	25,000	65,000	71,308	6,308
Park impact fees	50,000	100,000	110,685	10,685
Miscellaneous services	140,000	140,000	140,347	347
Storm water utility fees	-	-	30,837	30,837
Total charges for services	315,000	565,000	636,755	71,755
Intergovernmental				
Class "C" Road	190,000	180,000	177,665	(2,335)
Liquor fund	1,000	2,500	2,618	118
Total intergovernmental	191,000	182,500	180,283	(2,217)
Fines & Forfeitures	75,000	100,000	105,114	5,114
Miscellaneous revenues				
Sale of fixed assets	200,000	-	-	-
Interest earnings	18,000	50,000	53,815	3,815
Total miscellaneous revenues	218,000	50,000	53,815	3,815
Total revenues	1,743,000	2,064,000	2,363,481	299,481
<b>EXPENDITURES:</b>				
General government				
Legislative	32,000	32,500	30,513	1,987
Executive	15,000	15,000	15,988	(988)
Administration	187,200	178,000	177,485	515
Non-departmental	43,000	116,000	99,671	16,329
General government buildings	2,318,000	2,800,000	2,678,218	121,782
Elections	1,000	-	-	-
Planning and zoning	119,000	107,000	101,370	5,630
Community promotion	50,000	50,000	52,970	(2,970)
Building maintenance	23,000	18,000	14,667	3,333
Total general government	2,788,200	3,316,500	3,170,882	145,618

## WEST HAVEN CITY

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES TO FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	GENERAL FUND			Variance with Final Budget Favorable (Unfavorable)
	Budgeted Amounts			
	Original	Final	Actual	
<b>EXPENDITURES (Continued):</b>				
Public safety				
Police	\$ 260,000	\$ 260,000	\$ 248,090	\$ 11,910
Liquor law enforcement	10,000	10,000	10,000	-
Protective inspection	50,000	70,000	65,555	4,445
Animal services	15,000	15,000	13,590	1,410
Total public safety	335,000	355,000	337,235	17,765
Highways and public improvement				
Class "C" Road	293,400	234,000	219,479	14,521
Road equipment	28,000	27,000	26,625	375
Road impact fee	-	160,000	158,897	1,103
Storm drain impact fee	-	17,000	16,606	394
Storm drain maintenance	-	9,000	8,680	320
Total highways and public improvement	321,400	447,000	430,287	16,713
Parks and recreation				
Parks	90,000	40,000	37,852	2,148
Parkway	-	25,000	14,015	10,985
Recreation	-	55,000	62,932	(7,932)
Total parks and recreation	90,000	120,000	114,799	5,201
Community development				
Economic development	25,000	25,000	20,735	4,265
Miscellaneous	83,000	12,000	20,750	(8,750)
Debt service	-	80,000	197,618	(117,618)
Total expenditures	3,642,600	4,355,500	4,292,306	63,194
Excess (deficiency) of revenues over expenditures	(1,899,600)	(2,291,500)	(1,928,825)	362,675
<b>OTHER FINANCING SOURCES (USES):</b>				
Bond proceeds	-	609,000	614,000	5,000
Total other financing sources (uses)	-	609,000	614,000	5,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(1,899,600)	(1,682,500)	(1,314,825)	367,675
Fund balance - beginning of year	2,730,165	2,730,165	2,730,165	-
Fund balance - end of year	\$ 830,565	\$ 1,047,665	\$ 1,415,340	\$ 367,675



AUDITOR'S REPORTS

**INDEPENDENT AUDITOR'S REPORT**  
**STATE OF UTAH LEGAL COMPLIANCE**

The Honorable Mayor and City Council  
West Haven City, Utah

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, and each major fund of West Haven City, Utah, for the year ended June 30, 2005, and have issued our report thereon dated January 11, 2006. As part of our audit, we have audited West Haven City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The City received the following major assistance programs from the State of Utah.

B & C Road Funds (Department of Transportation)  
Liquor Law Enforcement (State Tax Commission)

The City did not receive any nonmajor State grants during the year ended June 30, 2005.

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt  
Cash Management  
Purchasing Requirements  
Budgetary Compliance  
Liquor Law Enforcement

B & C Road Funds  
Other General Compliance Issues  
Uniform Building Code Standards  
Impact Fees

The management of West Haven City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

Independent Auditor's Report on State Legal Compliance  
Page 2

The results of our audit procedures disclosed immaterial instances of noncompliance with requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, West Haven City, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

WOOD Richards & Associates

January 11, 2006

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and City Council  
West Haven City, Utah

We have audited the financial statements of the governmental activities, the discretely presented component unit, and each major fund of West Haven City, Utah, as of and for the year ended June 30, 2005, which collectively comprise West Haven City, Utah's basic financial statements and have issued our report thereon dated January 11, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered West Haven City, Utah's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether West Haven City, Utah's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

Honorable Mayor and City Council  
Page 2

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wood Richards & Associates

Ogden, Utah  
January 11, 2006

# Wood · Richards

AND ASSOCIATES P.C.

Royce J. Richards, J. D., CPA  
Lynn J. Wood, CPA

January 11, 2006

Honorable Mayor and City Council  
West Haven City, Utah

We have recently completed our audit of the basic financial statements of West Haven City for the year ended June 30, 2005. During our audit we noted the following items for your consideration:

1. State law requires that expenditures not be incurred in excess of the appropriation for any department. We noted that some departments had expenditures over budget. We recommend you limit expenditures or open the budget late in the year to provide for these variances.
2. State law requires that the general fund balance not exceed 18% of the total estimated revenue of the general fund. The current unreserved general fund balance is in excess of this limitation. We recommend you make necessary budget adjustments to comply with this provision or establish a capital projects fund to accumulate funds for future capital improvements.
3. State law requires that all public funds be deposited at least every three business days. We noted that some receipts were not deposited within the three business days required by State law. We recommend the City establish a system of controls to ensure that all funds are deposited within the time requirement.

We appreciate the cooperation we received during the course of our audit.

Sincerely,

Wood Richards & Associates

Wood, Richards & Associates, PC

CERTIFIED PUBLIC ACCOUNTANTS

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LETTER OF RESPONSE  
TO AUDIT RECOMMENDATIONS  
JUNE 30, 2005

1. EXCESS OF EXPENDITURES OVER BUDGET BY DEPARTMENT

**Management Response:** The City is aware of these excess expenditures and will monitor the expenditures as compared to the budget on a regular basis, and will amend the budget as appropriate.

2. EXCESS FUND BALANCE

**Management Response:** The City is aware of the excess and is currently spending a large portion of the excess on a new public works maintenance building in the current year. We are also contemplating establishing a capital projects fund to accumulate funds for future capital projects.

3. CASH MANAGEMENT

**Management Response:** The City will establish a system of controls to ensure that all funds are deposited on a timely basis.



Steven J. Davis, CPA  
CFO/Treasurer  
City of West Haven